F10A02
Personnel
Department of Budget and Management

Operating Budget Data

($ in Thousands)

	FY 12 Actual	FY 13 Working	FY 14 Allowance	FY 13-14 Change	% Change Prior Year
General Fund	$21,203	$6,436	$80,731	$74,294	1154.3%
Contingent & Back of Bill Reductions	0	0	-9	-9	
Adjusted General Fund	**$21,203**	**$6,436**	**$80,722**	**$74,286**	**1154.2%**
Special Fund	0	1,256	17,562	16,306	1298.6%
Adjusted Special Fund	**$0**	**$1,256**	**$17,562**	**$16,306**	**1298.6%**
Federal Fund	0	164	10,026	9,862	6003.1%
Adjusted Federal Fund	**$0**	**$164**	**$10,026**	**$9,862**	**6003.1%**
Reimbursable Fund	6,587	7,547	7,112	-435	-5.8%
Adjusted Reimbursable Fund	**$6,587**	**$7,547**	**$7,112**	**-$435**	**-5.8%**
Adjusted Grand Total	**$27,790**	**$15,403**	**$115,422**	**$100,019**	**649.3%**

- A $14.4 million deficiency appropriation is proposed for fiscal 2013. The appropriation supports workers' compensation claims.
- The budget's entire increase is attributable to centrally budgeted funds in the agency's statewide program. If approved, these funds will be transferred to State agencies by budget amendment. The largest increases include $73.4 million for an employee cost-of-living adjustment (COLA), $19.2 million for employee increments, and $3.6 million for the annual salary review (ASR) salary adjustments.
- Agency spending is essentially flat. Excluding the statewide program, spending increases by approximately $6,000. Increases in employee pension and health care costs are offset by decreases in actuarial and printing costs.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	FY 12 Actual	FY 13 Working	FY 14 Allowance	FY 13-14 Change
Regular Positions	115.50	115.50	115.50	0.00
Contractual FTEs	1.40	1.50	1.50	0.00
Total Personnel	**116.90**	**117.00**	**117.00**	**0.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	1.73	1.50%
Positions and Percentage Vacant as of 12/31/12	8.70	7.53%

- The only change in the agency's staffing level is a 0.1 expansion of a contractual full-time equivalent position.

- The reduction to compensation for anticipated vacancies is only one-fifth of what the actual offset plans to remove given current vacancies. The agency intends to fill the vacancies in the current fiscal year.

Analysis in Brief

Major Trends

Personnel Transaction Tallies Slightly Reverse Recent Declines: From fiscal 2008 to 2011, there were declines in career track transactions (such as hiring, reclassifications, and promotions). The decline began to reverse in fiscal 2012. The first two quarters of fiscal 2013 report slight increases in most major categories when compared to the first two quarters of fiscal 2012.

Issues

Overview of State Employee Compensation: Total proposed personnel spending in the allowance increases by $352.3 million over fiscal 2013 levels to $7,496.5 million, a growth of 4.9%. The proposed increases are principally fueled by salary adjustments and fringe benefit payments for employee and retiree health insurance and retirement contributions. Salary increases include a COLA, increments, and ASR adjustments.

Statewide Position Changes: The fiscal 2014 allowance contains 16 regular position abolitions and 228 new positions across the agency budgets. The net impact of these actions leaves a total of 79,741 positions in State service for fiscal 2014. In context of the Spending Affordability Committee's recommendation, the limit has been observed as 128 of the new positions in the allowance qualify under the specified exceptions.

Employee and Retiree Health Insurance: The Department of Budget and Management (DBM) forecasts that $1,066.2 million will be paid into the State and Employee Health and Welfare Benefits Fund in fiscal 2014 for the State's subsidization of this benefit, which is $66.2 million more than the current fiscal year. There are no plan changes in fiscal 2014. However, coinsurance rates in some plans were increased in fiscal 2013, resulting in some employees and retirees moving to different plans. The department will also rebid the health insurance contracts in fiscal 2013. **DBM should brief the committees on the employee and retiree health insurance plan changes adopted in fiscal 2013. This should include a discussion of employees and retirees moving into Exclusive Provider Plans and the effect of this movement on costs. The department should brief the committees on its progress awarding new health insurance contracts. This should include a discussion about any distinctly different plans that will be offered.**

Other Post Employment Benefits Unfunded Liability: Upon their retirement, and provided they receive a retirement allowance from the State Retirement and Pension System, retired State employees are entitled to enroll and participate in any of the health insurance options provided by the State Employee and Retiree Health and Welfare Benefits Program. This benefit is referred to as an other post employment benefit (OPEB). In 2004, the Governmental Accounting Standards Board released new standards that require the State to apply an accounting methodology similar to the one used for pension liabilities to account for retiree health benefits. It has been determined that the State has an unfunded liability. Recent actions reduced the liability from $15.9 billion at the end of fiscal 2010 to $9.6 billion at the end of fiscal 2012. The State has also reduced the Annual Required Contribution (ARC) from $1,185 million to $656 million. However, the State is still not meeting the ARC or annual costs. **DBM should be prepared to brief the committees on the status of the OPEB unfunded actuarially accrued liability. This should include a discussion of plans to reduce this liability and fully fund the ARC.**

State Plans to Implement an Employee Group Waiver Plan with Medicare Part D Wrap: This new plan is not expected to result in any appreciable changes in retiree benefits. The plan is expected to reduce costs by $25.9 million annually. Savings from the plan can be deducted from the unfunded OPEB liability. To implement the plan, the State will need to move health insurance plans to a calendar year schedule, instead of fiscal year schedule. **The department should be prepared to brief the committees on the Employee Group Waiver Plan and wrap. This should include a discussion of OPEB savings.**

Contractual Employees and the Federal Affordable Care Act: The federal Affordable Care Act (ACA) requires that employees working 30 hours a week or more must receive health insurance benefits. This could increase State costs by providing health insurance subsidies to contractual employees that currently do not receive them or by paying a penalty for not providing health care benefits. At this point, it is unclear exactly how many employees would be required to receive health insurance. **DBM should brief the committees on provisions of the federal ACA that relate to providing health insurance benefits for contractual employees. This should include the number of qualifying employees, potential costs associated with providing insurance or being assessed a penalty, safe harbor provisions, and how the State is likely to address this issue.**

Recommended Actions

		Funds
1.	Delete unassigned funds.	$ 80,000
2.	Amend Section 19 language by applying health insurance reduction to the legislature and judiciary.	
3.	Add a section for the annual Rule of 50 limit on position creation.	
4.	Add a section for the annual position reporting language.	
5.	Add a section for annual language requiring Executive Pay Plan reporting.	
6.	Add a section of annual language restricting the movement of employees into abolished positions.	

7. Add a section of annual language requiring employee health insurance receipts and spending reporting.

Total Reductions	**$ 80,000**

Operating Budget Analysis

Program Description

The Office of Personnel Services and Benefits (OPSB) provides policy direction for the human resources system established by the State Personnel and Pensions Article through its oversight of the State Personnel Management System (SPMS). All positions in the Executive Branch of State government are in the SPMS, except for employees of higher education institutions and the Maryland Department of Transportation (MDOT). Positions in the Legislative and Judicial Branches of State government are also outside of the SPMS. The executive director manages OPSB and administers State personnel policies and the health benefit program. Specific functions within OPSB include salary administration and classification, recruitment and examination, employee relations, employee benefits, and medical services. OPSB shares responsibility with State agencies for the administration of personnel functions through policy development, guidance, and interpretation.

Performance Analysis: Managing for Results

1. Personnel Transaction Tallies Slightly Reverse Recent Declines

OPSB's Managing for Results measures deal with the statewide employee retention rate and settlement of grievance and disciplinary appeals. Data on the activities of OPSB is available in quarterly data that the Department of Budget and Management (DBM) has provided to the Department of Legislative Services (DLS) regarding the various transactions overseen by the agency in the course of its duties as the central administrator of statewide personnel issues.

Exhibit 1 lists the major personnel transactions in the SPMS since fiscal 2008. The transactions involving hiring totals and career advancement figures are listed in the upper portion of the table and are followed below by those dealing with separation from State service.

The declines in nearly every major category that have been seen since fiscal 2008 started to reverse in the final quarters of fiscal 2011. This trend continues in the first two quarters of fiscal 2012; most major categories show an increase when comparing the first and second quarters of fiscal 2013 with the first and second quarters of fiscal 2012. As the restraints of the ongoing hiring freeze loosened, SPMS agencies made over 3,100 appointments in both fiscal 2011 and 2012, an addition of 400 to 600 more hires than in fiscal 2010, which had marked the lowest count in over a decade. This figure has been further lowered in recent years by the abolition of recently vacated positions in lieu of their being filled by new employees. Notably, the fiscal 2013 allowance creates a net of 143 new SPMS positions to be filled, so the increase could continue if departmental vacancies

Exhibit 1
Personnel Activities for State Employees
As of June 30 of Each Year
Fiscal 2008-2013

	2008	2009	2010	2011	2012	2013
Career Track						
Appointments	4,482	3,794	2,720	3,310	3,125	1,588
Reinstatements	582	382	346	302	219	131
Transfers	382	365	269	285	224	204
Promotions	3,836	2,678	2,596	2,240	2,439	1,286
Reclassifications	2,683	1,130	1,410	1,522	1,382	1,154
Demotions	360	252	253	225	222	114
Total	**12,325**	**8,601**	**7,594**	**7,884**	**7,611**	**4,477**
Separations						
Deceased	75	49	73	56	48	21
Failed to Report for Duty	88	45	27	28	28	13
Layoffs/Filled Position Abolition[1]	10	102	123	3	10	51
Leave of Absence	140	80	83	70	74	29
Resignations	2,782	1,767	1,626	1,838	1,669	877
Retired	1,625	1,146	1,474	1,797	992	455
Terminated	333	318	482	224	216	152
Terminated on Probation	128	133	87	118	93	50
Total	**5,181**	**3,640**	**3,975**	**4,134**	**3,130**	**1,648**

[1] Includes employees who had not vacated their positions prior to the abolition but may have done so after the position was designated for abolition, *i.e.*, via retirement.

Note: Fiscal 2013 figure represents six months of data through January 1, 2013.

Source: Department of Budget and Management

are permitted to be filled. Unlike other transactions, reclassifications actually increase in fiscal 2010 and 2011. Reclassifications will receive a boost if the annual salary review (ASR) changes included in the allowance are approved by the General Assembly.

On the separation side, the most pronounced change was the large increase in retirements, which grew from 1,146 people in fiscal 2009 to 1,797 in fiscal 2011. The Voluntary Separation Program that ended in February 2011 boosted the retirement figures by several hundred people as did the impending benefit changes of the 2011 pension reform. With only 992 retirements in fiscal 2012, these actions appear to have pushed forward the decision of many employees to retire. There was an uptick in terms of resignations in fiscal 2011, but the figure is still well below the annual average, which was over 2,300 annual resignations in the previous decade. The continued reduced rate of separation can be attributed to the difficulty of finding alterative employment and the lower total jobs in the State from which one could resign.

Fiscal 2013 Actions

Proposed Deficiency

The budget includes two general fund deficiency appropriations totaling $14.4 million. The larger proposed appropriation totals $12.4 million and supports State workers' compensation claims. This includes $4.9 million to fill the shortfall at the end of fiscal 2012. Based on claims of $6.1 million a month, which has been the average level in fiscal 2012, the account needs another $7.5 million to meet fiscal 2013 claims. **DLS recommends approval.**

Another proposed appropriation totals $2.0 million to settle more workers' compensation claims. Prior to the Great Recession, the State used to provide funds to settle selected claims. Settlements can reduce costs because certain claims that are not settled can be open to worsening condition, which allows the claimant and attorney the opportunity to pursue additional treatment and compensation. **DLS recommends approval.**

Proposed Budget

The fiscal 2014 allowance is $100.0 million more than the fiscal 2013 working appropriation. **Exhibit 2** shows that the entire increase is attributable to appropriations in the statewide program. Centrally budgeted appropriations that are transferred across the State agencies by budget amendment are commonly funded in the statewide program. Excluding the statewide program, agency spending remains constant at $13.6 million. Large changes in the statewide program include:

- $73.4 million, including $53.8 million in general funds, for a 3% cost-of-living adjustment (COLA), effective on January 1, 2014;

- $19.2 million, including $12.7 million in general funds, for employee increments, effective April 1, 2014;

Exhibit 2
Proposed Budget
Department of Budget and Management – Personnel
($ in Thousands)

How Much It Grows:	**General Fund**	**Special Fund**	**Federal Fund**	**Reimb. Fund**	**Total**
2013 Working Appropriation	$6,436	$1,256	$164	$7,547	$15,403
2014 Allowance	80,731	17,562	10,026	7,112	115,431
Amount Change	$74,294	$16,306	$9,862	-$435	$100,028
Percent Change	1154.3%	1298.6%	6003.1%	-5.8%	649.4%
Contingent Reduction	-$9	$0	$0	$0	-$9
Adjusted Change	$74,286	$16,306	$9,862	-$435	$100,019
Adjusted Percent Change	1154.2%	1298.6%	6003.1%	-5.8%	649.3%

Where It Goes:	
Personnel Expenses	
Pension contribution	$209
Employee and retiree health insurance, net of across-the-board reductions	129
Subject matter experts for statewide personnel system development	78
Annualized fiscal 2013 general salary increase	75
Reclassifications	56
Accrued leave payout	-27
Workers' compensation premium assessment	-7
Turnover adjustments	-6
Statewide Expenses	
Centrally budgeted fiscal 2014 cost-of-living adjustment	73,372
Centrally budgeted fiscal 2014 increments	19,224
Annual salary review	3,587
Additional IWIF settlements	3,000
SLEOLA 2010 collective bargaining additional step increases	2,417
Unexpended fiscal 2013 statewide expenses	-1,579

Where It Goes:	
Office of Personnel Services and Benefits Operations	
Adjust actuarial services to reflect multi-year trend	-430
Printing costs, primarily for Employee/Retiree Health Open Enrollment	-150
Legal services, primarily arbitration hearing fees	65
Drug testing contracts from COMAR 17.04.09	-65
Medical Director Services contract	25
Postage	15
State Retirement Agency administrative fee	14
Other	17
Total	**$100,019**

COMAR: Code of Maryland Regulations
IWIF: Injured Workers' Insurance Fund
SLEOLA: State Law Enforcement Officers Labor Alliance

Note: Numbers may not sum to total due to rounding.

- $3.6 million, including $2.5 million in general funds, for ASR adjustments;
- $3.0 million, all general funds, for workers' compensation claims; and
- $2.4 million, $2.0 million in general funds, for collectively bargained salary increases for State Law Enforcement Officers Labor Alliance (SLEOLA) employees.

With respect to the administrative spending, the most significant changes are:

- $209,000 increase to the pension contribution. Pension costs increase because contribution rates increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform;
- $129,000 increase in employee and retiree health insurance reflecting inflationary pressures;
- $430,000 decline in actuarial costs attributable to a decline is usage; and
- $150,000 reduction in printing costs, reflecting actual spending.

Issues

1. Overview of State Employee Compensation

The changes to statewide employee compensation in the fiscal 2014 allowance are detailed in **Exhibit 3**. Total proposed personnel spending in the allowance increases by $352.3 million over fiscal 2013 levels to $7,496.5 million, a growth of 4.9%. The proposed increases are principally fueled by salary adjustments and fringe benefit payments for employee and retiree health insurance and retirement contributions. Salary increases include a COLA, increments, and ASR adjustments. **Appendix 2** details statewide salary actions undertaken during the previous decade.

Exhibit 3
Regular Employee Personnel Changes
Fiscal 2013 Working Appropriation to Fiscal 2014 Allowance
($ in Millions)

2013 Working Appropriation	**$7,144.2**
Salary Changes	
3% cost-of-living adjustment on January 1, 2014	73.4
Annualize fiscal 2013 2% cost-of-living adjustment	52.1
Increments	19.2
Salary adjustments	-9.7
Annual salary review	3.6
State Law Enforcement Officers Labor Alliance increase	2.4
Position-based Changes	
New full-time equivalent positions in the allowance	28.2
Position abolitions	-8.2
Fringe Benefits	
Retirement contributions	88.4
Active and retired employee insurance cost increases	62.8
Workers' compensation insurance	12.7
Social Security	1.8
Adjustment to turnover	10.8
Additional assistance	16.9
Other salary and benefits (overtime, additional assistance, shift differential, accrued leave payout, tuition waivers, and remainder)	1.5
Miscellaneous adjustments	-3.6
Fiscal 2014 Allowance	**$7,496.5**
Increase over fiscal 2013 working appropriation	$352.3
Percentage increase	4.9%

Note: Excludes nonbudgeted agencies. Excludes $35.4 million in fiscal 2013 deficiency appropriations. Fiscal 2014 allowance reduced $7.4 million to reflect health insurance reduction.

Source: Department of Budget and Management

Major fringe benefit cost changes are the pension contribution and employee and retiree health care costs. Pension costs increase because contribution rates increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. With respect to the judicial pension plan, pension contribution rates decline in fiscal 2014. This is primarily attributable to increasing judges' contributions to the plan, changing assumptions, and receiving a settlement in favor of the plan that reduces the unfunded liability. Increases in employee and retiree health insurance reflect inflationary pressures.

Three Percent COLA

The allowance contains $73.4 million for a planned 3% COLA, effective January 1, 2014, as per the 2011 collective bargaining agreement. These funds are centrally budgeted in DBM and are to be transferred to non-higher education agencies supporting personnel with general funds ($32.0 million), special funds ($12.3 million), and federal funds ($7.3 million), as well as to higher education institutions ($21.8 million in additional general funds). Other expenditures related to the COLA, such as additional funding for local health agencies and funds for agencies with a large reimbursable fund impact, total approximately $511,000.

Increments

Personnel reform in 1996 (Chapter 347) implemented a pay-for-performance plan for employees. DBM has developed strategies to reward satisfactory service to the State, based on the results of employee performance appraisals. One such strategy is to allow advancement from one step to the next within a grade, and an employee must be rated as "satisfactory" in the evaluation to move to the next step. These increases are referred to as increments. The State has not offered these increases in five years; increments were last budgeted in fiscal 2009.

The fiscal 2014 allowance includes $19.2 million in increments, effective April 1, 2014. This is consistent with the 2011 collective bargaining agreement. These funds are centrally budgeted in DBM. The appropriation includes $12.7 million in general funds, $4.0 million in special funds, and $2.4 million in federal funds. Funds for higher education are budgeted in the institutions' budgets and are not centrally budgeted. The allowance includes $6.3 million in general funds for higher education institutions.

ASR

ASR represent adjustments in the salaries of classifications that DBM and departmental staff have jointly targeted for improved compensation to facilitate the State's competition for qualified applicants in the labor market. The fiscal 2014 allowance contains $3.6 million in ASR. Most of the changes are increasing salaries by one grade. A one-grade increase equates to a 6.4% salary increase. With respect to parole and probation officers, Agent I receives a one grade increase. Agent II, Agent Sr., and Field Supervisors at base, step 1 and step 2 move up to step 3. **Exhibit 4** provides details of the proposed increases.

Exhibit 4
Annual Salary Review Adjustments by Classification
Fiscal 2014 Allowance

Agency	Classification	Total Funds	General Funds	Special Funds	Federal Funds	Change
MIEMSS	EMS Communication Officers Staff	$60,856	$0	$60,856	$0	1 Grade Increase
SDAT	Assessors	839,842	419,921	419,921	0	1 Grade Increase
DBM DHMH DHR DPSCS	Personnel Officers – Employee Relations Function	80,895	71,179	0	9,716	1 Grade Increase
DBM	Personnel Classifications	1,352,175	1,022,402	5,928	323,845	1 Grade Increase
DPSCS	Parole and Probation Agents	881,148	881,148	0	0	1 Grade Increase for I, Step Increase for Others
DSP	Aviation Technicians and Inspectors	134,521	26,904	107,617	0	1 Grade Increase
DSP	Civilian Fixed Wing Pilots	237,649	47,530	190,119	0	1 Grade Increase
Total		**$3,587,086**	**$2,469,084**	**$784,441**	**$333,561**	

DBM: Department of Budget and Management
DHMH: Department of Health and Mental Hygiene
DHR: Department of Human Resources
DPSCS: Department of Public Safety and Correctional Services
DSP: Department of State Police
EMS: Emergency Medical Services
MIEMSS: Maryland Institute for Emergency Medical Services Systems
SDAT: State Department of Assessments and Taxation

Source: Department of Budget and Management

How Can a 2% COLA Be Less Than the 2% Payroll Tax Increase

An unusual confluence of events occurred on January 1, 2013. State agencies received their first COLA since fiscal 2009, and the federal government increased the Social Security tax rate increase back to 6.2%. For State employees, this resulted in a 2% wage increase and a 2% tax increase. Interestingly, for most State employees, the reductions did not offset exactly. For some this resulted in smaller paychecks and for others in larger paychecks.

For most employees, the effect of the increase in the payroll tax was greater than the increase in wages, so net wages declined. This is because the tax increase takes the full 2% out of wages while the raise will also be taxed by Social Security, resulting in an increase that is less than 2%.

The average State employee earns approximately $50,000 per year. **Exhibit 5** shows that net wages for an employee earning $50,000 are reduced by $1,000 after the Social Security tax increase. If that same employee then receives an increase of $1,000, the effect on net wages is an increase of $923. Net wages are $77 less because the employee pays 7.65% in taxes on the wage increase.

Exhibit 5
Regular Employee Personnel Changes
Fiscal 2013 Working Appropriation to Fiscal 2014 Allowance
($ in Millions)

	Calendar 2012	No COLA Calendar 2013	With COLA Calendar 2013
Wages	$50,000	$50,000	$51,000
Social Security Tax Rate	4.20%	6.20%	6.20%
Medicare Tax Rate	1.45%	1.45%	1.45%
Social Security and Medicare Tax	$2,825	$3,825	$3,902
Net Wages	$47,175	$46,175	$47,099
Difference Between 2012 and 2013		**-$1,000**	**-$77**

COLA: cost-of-living adjustment

Source: Department of Legislative Services

A second factor that influences net wages is the Social Security Wage Cap. Employees who reach the cap do not pay Social Security taxes on income in excess of the cap. In some cases, the employees’ net wages will actually increase after taxes and salaries are each increased by 2%. Their net wages increase because they only pay Medicare taxes and additional taxes paid to Social Security is only paid on wages earned below the cap. **Exhibit 6** shows that an employee earning $125,000 annually will end up with $39 more in net wages after increasing Social Security taxes 2% and increasing wages 2%. As an employee's wages rise, the increase in net wages also rises.

Exhibit 6
Regular Employee Personnel Changes
Fiscal 2013 Working Appropriation to Fiscal 2014 Allowance
($ in Millions)

	Calendar 2012	No COLA Calendar 2013	With COLA Calendar 2013
Wages	$125,000	$125,000	$127,500
Social Security Wage Cap	$110,100	$113,700	$113,700
Social Security Tax Rate	4.20%	6.20%	6.20%
Medicare Tax Rate	1.45%	1.45%	1.45%
Social Security and Medicare Tax	$6,437	$8,862	$8,898
Net Wages	$118,563	$116,138	$118,602
Difference Between 2012 and 2013		**-$2,425**	**$39**

COLA: cost-of-living adjustment

Source: Department of Legislative Services

2. Statewide Position Changes

The Spending Affordability Committee (SAC) set a position cap of 79,626 regular full-time equivalent (FTE) positions across State government for fiscal 2014 but stipulated that four permissible motives for position creation beyond this limit would be allowed: (1) positions required for critical security of State facilities; (2) those created by in-sourcing of contractual services to generate ongoing budgetary savings; (3) those that generate revenues; and (4) positions that implement an accelerated capital program.

In fiscal 2012, the Administration has implemented Section 25 of the Budget Reconciliation and Financing Act (BRFA) of 2012, in which the General Assembly instructed the Governor to abolish 100.0 positions across the Executive Branch by January 1, 2013. The action deleted 118.6 positions in the Executive Branch and 3.0 positions from higher education institutions for this purpose. All of the positions abolished in this action were vacancies accumulated through hiring freeze attrition. **Appendix 3** compares vacancies with budgeted turnover rates. Higher education institutions utilized their "flex" personnel autonomy, as defined by Chapters 239 and 273 of 2004, to create 240.0 positions during the 2012 interim. Also, 78.4 positions have been created to date at the Board of Public Works (BPW) during fiscal 2013. BPW created 44.0 positions for the State Lottery and Gaming Control Agency, 33.0 positions for the Maryland Benefit Health Exchange, 1.0 position for the Maryland Energy Administration, and 0.4 positions for the State Labor Relations Board.

As shown in **Exhibit 7,** the fiscal 2014 allowance contains 16 regular position abolitions and 228 new positions across the agency budgets. The net impact of these actions leaves a total of 79,741 positions in State service for fiscal 2014. Yet, in the context of the SAC recommendation, the limit has been observed, as 128 of the new positions in the allowance qualify under the specified exceptions. The remaining 100 new positions, which have been included to fulfill legislation enacted in prior sessions or expanded functional responsibilities, are more than offset by the combined 137 in abolitions in the allowance and Section 25. A detailed description of the significant position changes in the allowance is provided in **Appendix 4**. After accounting for the specified exceptions, there are 79,613 total regular positions that count toward the SAC limit in the allowance, 13 positions below the SAC limit. **Appendix 5** provides details about the SAC calculation.

Contractual Full-time Equivalents

Contractual FTEs grew by 91 statewide, as **Exhibit 8** indicates. The growth is in higher education, which increased by 91 contractual positions. SPMS agencies post a net decrease of 1 contractual, while the Judiciary gains 1 contractual. The net growth in FTEs coincides with increased spending on contractual employees. Total expenditures for contractual employees net of turnover will increase by $2.4 million over fiscal 2013 levels.

Exhibit 7
Regular Position Changes
Fiscal 2012 Actual to Fiscal 2014 Allowance

Department/Service Area	Actual 2012	Leg. Approp. 2013	BPW/ Flex	Section 25 Abol.	Transfer	Work. Approp. 2013	Transfer	Abolished Positions	New Positions	Allow. 2014	Leg. Approp. 2013 to Allow. 2014
Health and Human Services											
Health and Mental Hygiene	6,350	6,446	0	-58	0	6,388	6	-2	15	6,407	-39
Human Resources	6,545	6,539	0	-10	0	6,529	0	0	0	6,529	-10
Juvenile Services	2,140	2,133	0	-2	-22	2,109	-32	0	0	2,077	-56
Subtotal	***15,035***	***15,118***	***0***	***-70***	***-22***	***15,026***	***-26***	***-2***	***15***	***15,013***	***-105***
Public Safety											
Public Safety and Correctional Services	11,052	11,050	0	0	0	11,050	0	0	0	11,050	0
Police and Fire Marshal	2,367	2,393	0	-4	1	2,390	0	-11	0	2,379	-14
Subtotal	***13,419***	***13,443***	***0***	***-4***	***1***	***13,440***	***0***	***-11***	***0***	***13,429***	***-14***
Transportation	8,745	8,730	0	0	2	8,732	0	0	3	8,735	5
Other Executive											
Legal (Excluding Judiciary)	1,498	1,499	0	-7	0	1,492	0	0	11	1,503	4
Executive and Administrative Control	1,574	1,579	34	-9	0	1,605	-6	-2	35	1,632	53
Financial and Revenue Administration	1,972	1,973	44	-7	0	2,010	0	0	36	2,046	73
Budget and Management and Information Technology	427	451	0	-10	-3	438	0	0	3	441	-10
Retirement	200	205	0	0	0	205	0	0	0	205	0
General Services	574	576	0	0	0	576	0	0	4	580	4
Natural Resources	1,279	1,296	0	-2	0	1,294	0	0	1	1,295	-1
Agriculture	392	384	0	0	0	384	0	-1	0	383	-1

Department/Service Area	Actual 2012	Leg. Approp. 2013	BPW/ Flex	Section 25 Abol.	Transfer	Work. Approp. 2013	Transfer	Abolished Positions	New Positions	Allow. 2014	Leg. Approp. 2013 to Allow. 2014
Labor, Licensing, and Regulation	1,649	1,650	0	-3	0	1,646	0	0	0	1,646	-3
MSDE and Other Education	1,918	1,897	0	-3	22	1,916	32	0	20	1,967	71
Housing and Community Development	320	317	0	-1	0	316	0	0	11	327	10
Business and Economic Development	225	225	0	-1	0	224	0	0	0	224	-1
Environment	931	931	0	-2	0	929	0	0	8	937	6
Subtotal	***12,958***	***12,981***	***78***	***-45***	***19***	***13,033***	***26***	***-3***	***129***	***13,185***	***204***
Executive Branch Subtotal	**50,157**	**50,271**	**78**	**-119**	**0**	**50,231**	**0**	**-16**	**146**	**50,362**	**90**
Higher Education	24,735	24,727	240	-3	0	24,965	0	0	0	24,965	237
Judiciary	3,581	3,585	0	0	0	3,585	0	0	82	3,667	82
Legislature	748	748	0	0	0	748	0	0	0	748	0
Grand Total	**79,221**	**79,331**	**319**	**-122**	**0**	**79,529**	**0**	**-16**	**228**	**79,741**	**410**

BPW: Board of Public Works
IT: Information Technology
MSDE: Maryland State Department of Education

Source: Department of Legislative Services

Exhibit 8
Contractual Full-time Equivalent Positions
Fiscal 2002 Actual to 2014 Allowance

Department/Service Area	Actual 2002	Actual 2012	Work. Approp. 2013	Allowance 2014	Difference 2013-2014
Health and Human Services					
Health and Mental Hygiene	409	356	404	385	-18
Human Resources	111	111	73	82	10
Juvenile Services	119	168	146	170	24
Subtotal	***639***	***635***	***622***	***638***	***15***
Public Safety					
Public Safety and Correctional Services	298	275	397	396	-1
Police and Fire Marshal	46	24	29	29	0
Subtotal	***344***	***300***	***425***	***425***	***-1***
Transportation	142	114	132	131	-1
Other Executive					
Legal (Excluding Judiciary)	99	44	54	53	-1
Executive and Administrative Control	208	243	213	203	-10
Financial and Revenue Administration	35	54	53	50	-3
Budget and Management and IT	33	13	17	18	1
Retirement	30	15	15	15	0
General Services	35	17	30	33	3
Natural Resources	332	366	393	404	12
Agriculture	36	43	46	42	-4
Labor, Licensing, and Regulation	176	251	294	259	-36
MSDE and Other Education	218	241	321	336	16
Housing and Community Development	49	50	86	71	-15
Business and Economic Development	49	13	16	19	4
Environment	32	25	50	68	19
Subtotal	***1,332***	***1,375***	***1,585***	***1,570***	***-15***
Executive Branch Subtotal	**2,457**	**2,424**	**2,765**	**2,764**	**-1**
Higher Education	6,079	6,692	6,515	6,606	91
Judiciary	371	405	446	447	1
Grand Total	**8,907**	**9,521**	**9,726**	**9,817**	**91**

IT: Information Technology
MSDE: Maryland State Department of Education

Source: Department of Legislative Services

3. Employee and Retiree Health Insurance

Employee and retiree health insurance is the second largest personnel expense for the State workforce, after salaries. **Exhibit 9** shows the nonbudgeted State and Employee Health and Welfare Benefits Fund's expenditures and revenues from fiscal 2012 to 2014. DBM forecasts $1,066.2 million will be paid into the fund in fiscal 2014 for the State's subsidization of this benefit. This amount is $66.2 million more than the projected State contributions in the current fiscal year. Unlike the last two years, there are no changes to the State's health insurance plan proposed in fiscal 2014.

Exhibit 9
State Employee Health and Welfare Benefits Fund
Fiscal 2012-2014
($ in Millions)

	2012 Actual	2013 Projected	2014 Projected	2013-14 Change
Beginning Balance	**$162.0**	**$173.4**	**$168.8**	**-$4.6**
Expenditures				
DBM – Personnel Administrative Cost	$7.0	$7.3	$6.8	-$0.5
Payments of Claims				
Medical	$833.4	$855.8	$929.0	$73.2
Mental Health	19.7	20.1	21.8	1.7
Prescription	357.8	364.3	395.5	31.2
Dental	45.1	45.9	49.9	3.9
Other	0.0	0.0	0.0	0.0
Payments to Providers	**$1,263.0**	**$1,293.4**	**$1,402.9**	**$109.5**
% Growth in Payments	*5.1%*	*2.4%*	*8.5%*	
Receipts				
State Agencies	$985.7	$1,000.0	$1,066.2	$66.2
Employee Contributions	169.4	168.5	187.7	19.2
Retiree Contributions	83.2	76.5	80.4	3.9
Prescription Rebates, Recoveries, and Other	27.8	22.8	22.8	0.0
Injured Workers' Insurance Fund	0.0	21.0	0.0	-21.0
Federal Health Reform Reinsurance	8.3	0.0	0.0	0.0
Total Receipts	**$1,274.4**	**$1,288.8**	**$1,357.1**	**$68.3**
% Growth in Receipts	*3.8%*	*1.1%*	*5.3%*	
Ending Balance	**$173.4**	**$168.8**	**$123.0**	**-$45.8**
Estimated Incurred but Not Received	-$90.9	-$99.5	-$107.9	
Reserve for Future Provider Payments	$82.5	$69.3	$15.1	-$54.2

DBM: Department of Budget and Management
Source: Department of Budget and Management; Department of Legislative Services

Fiscal 2013 Plan Changes

Although there are no plan changes in fiscal 2014, there were plan changes made in fiscal 2013 that have affected employees' open enrollment decisions. Collective bargaining agreements in 2011 included changes to the prescription drug program that took effect during fiscal 2012 and raised member copays for generic and brand name drugs. Changes to the medical benefit were not negotiated at the time, but a target of savings equal to 5% of the total spent on medical plans was settled upon. The dollar value of this target was approximately $42 million for fiscal 2013 and was based on projections made by DBM's health actuary as to the program's forecasted outlay for the medical and mental health claims of active and retired members in the upcoming fiscal year.

The agreements reached between the Administration and the bargaining units allowed the savings to be generated by higher employee/retiree premium contributions, plan changes that lower the value of the fundamental benefit offered through use-based cost shifting, or some combination thereof. The Administration has provided detail of the proposed alterations, which derive all of the savings from plan design changes. The changes are listed in **Exhibit 10**.

More Members Move into Exclusive Provider Organizations

The addition of coinsurance to the Preferred Provider Organization (PPO) and Point of Service (POS) plans increases the cost of services to users in these plans that require hospital services. Exclusive Provider Organizations (EPO) are not included in the change, ostensibly as a means of providing participants with an option that still offers 100% hospital coverage, provided that one stays within the EPO network. This is the first inclusion of in-network coinsurance to any State medical plan and will affect the vast majority of enrollees as over 85% of all employees/retirees in the State program subscribe to either a PPO (57%) or POS (28%).

When the plan was introduced to the General Assembly in fiscal 2013, issues were raised that the plan's savings were concentrated in certain groups, and the change could induce behavioral change. Almost 90% of the savings are generated from coinsurance. Coinsurance is a use-based cost-containment tool. Those with higher medical costs bear more of the burden. This method is the opposite of the premium system, which pools all of the participating individuals' risk and spreads it across the group evenly through the monthly premium for coverage with copays providing nominal use-specific charges. The coinsurance charge requires all members with a hospital stay to pay out-of-pocket (OOP) expenses equal to 10% of the cost. An OOP maximum of $1,000 for an individual and $2,000 for a family puts a cap on the new coinsurance exposure that will be faced by PPO/POS members. But, with the average hospital stay valued at $11,800, a sum approaching $1,000 coming directly out of the member's pocket is a likely outcome. Unlike premiums, which are deducted pre-tax from an enrollee's payroll checks, these OOP expenses will be post-tax dollars. Use of pre-tax Flexible Spending Accounts is possible, but given the difficulty in anticipating many conditions that will require hospital stays in advance of the plan year, this avenue will not always be available. Because EPO members are not subject to coinsurance, the savings are generated from PPO and POS plan members.

Exhibit 10
Proposed Administration Employee/Retiree Medical Plan Design Changes
Fiscal 2013 Plan Year

	Current		Effective July 1, 2012	
PPO and POS Plans Only	**In Network**	**Out of Network**	**In Network**	**Out of Network**
Plan Year Deductible				
Per Individual Family Combined Maximum	$0 Not applicable	$250 $500	$0 Not applicable	$250 $500
Coinsurance Percentage	100% of allowed benefit	80% of allowed benefit after deductible	90% of allowed benefit	70% of allowed benefit after deductible
Plan Year Out of Pocket Max				
Per Individual	Not Applicable	$3,000	$1,000	$3,000
Family Combined Maximum	Not Applicable	$6,000	$2,000	$6,000

PPO, POS, and EPO Plans	Current	Effective July 1, 2012
	In Network Per Visit Copay	**In Network Per Visit Copay**
Specialist Office Visit	$25	$30
Urgent Care Facility	$20	$30
Emergency Room Physician Services copay	$50 plus	$75 plus
Plus facility copay	$50	$75

EPO: Exclusive Provider Organization
POS: Point of Service
PPO: Preferred Provider Organization

Source: Department of Budget and Management

Because members of PPO and POS plans bear most of the fiscal 2013 plan changes, it was speculated that a number of members could switch from PPO and POS plans to EPO plans during the next open enrollment. In fact, this is exactly what happened. **Exhibit 11** shows that EPOs gained over 18,000 new members, while both PPO and POS plans lost members.

Exhibit 11
Shift into Exclusive Provider Organizations
2012 Open Enrollment

Plan	June 2012 Members	July 2012 Members	Difference
Exclusive Provider Organization	16,063	34,528	18,465
Preferred Provider Organization	62,010	52,290	-9,720
Point of Service Plan	31,103	23,409	-7,694
Total	**109,176**	**110,227**	**1,051**

Note: Excludes satellite and direct pay members.

Source: Department of Budget and Management

The shift seems to be most pronounced among active employees. **Exhibit 12** shows that the number of active employees in PPO and POS plans is 27% less in fiscal 2013 than in fiscal 2012. Only 6% less retirees are enrolled in these plans.

Exhibit 12
Shift of Active Employees Compared to Retirees Into Exclusive Provider Organizations
2012 Open Enrollment

Type of Employee	June 2012 Members	July 2012 Members	Difference	Percent Change
Active Employees	56,065	40,713	-15,352	-27%
Retirees	37,048	34,986	-2,062	-6%
Total	**93,113**	**75,699**	**-17,414**	**-19%**

Note: Excludes satellite and direct pay members.

Source: Department of Budget and Management

The concern with this shift into EPOs is that it could result in an increase in costs. In fiscal 2012, EPOs represented the lowest cost option due chiefly to the limitations of covered physicians to a pre-determined network with which the provider has negotiated preferentially lower rates. However, a mass movement into this plan could potentially increase the premium cost, as more high risk individuals join the insured pool. **DBM should brief the committees on the employee and retiree health insurance plan changes adopted in fiscal 2013. This should include a discussion of employees and retirees moving into Exclusive Provider Plans and the effect of this movement on costs.**

New Health Insurance Contracts

DBM is currently preparing a requests for proposal (RFP) to rebid the employee and retiree health insurance contracts. Over the summer, negotiations between the State and unions will be taking place. DBM advises that it would like to post a solicitation for an RFP by August 2013. The award should be made by April 2014. Generally, contracts last five years. Now is the time that DBM is locking into a health care plan that will not change for years.

Currently, the health insurance plans are fairly standardized so that the choice is between the plans' qualities. Employees and retirees do not have much choice among different levels of services. For example, younger employees may prefer to have plans with low premiums and high deductibles. Others may prefer plans with higher levels of services. **The department should brief the committees on its progress toward awarding new health insurance contracts. This should include a discussion about any distinctly different plans that will be offered and the role in plan coinsurance can be expected to play in the future plan design.**

4. Other Post Employment Benefits Unfunded Liability

Upon their retirement and provided they receive a retirement allowance from the State Retirement and Pension System, retired State employees are entitled to enroll and participate in any of the health insurance options provided by the State Employee and Retiree Health and Welfare Benefits Program. In effect, this entitles retired State employees to retain the same health coverage they had as active employees. In addition, active State employees accrue eligibility for a partial State subsidy of the cost of health insurance coverage under the program.

In 2004, the Governmental Accounting Standards Board (GASB) released new standards that require the State to apply an accounting methodology similar to the one used for pension liabilities to account for retiree health benefits. GASB is an independent, nonprofit foundation that establishes accounting standards for local and state governments. The new standards affect governmental accounting of other post employment benefits (OPEB), which are defined as post employment benefits other than pensions. Under the new standards, incorporated into GASB's Statements 43 and 45, the State must account for the cost of OPEB as they accrue to employees based on their employment with the State rather than on a pay-as-you-go basis. Prior to the release of Statements 43 and 45, almost all states, including Maryland, had accounted for OPEB on a pay-as-you-go basis.

The new standards require the State to conduct an actuarial valuation of its OPEB liability at least every two years. The valuations must determine the State's accrued OPEB liabilities, defined as the value of the retiree health benefits promised to current and retired employees based on their actual and projected employment with the State. Each valuation credits the State with the value of any assets (including pay-as-you-go expenditures) deposited in an irrevocable OPEB trust for the purpose of funding its OPEB liabilities. The difference between the State's OPEB and its trust fund assets represents the unfunded actuarial accrued liability.

GASB allows governments to amortize the unfunded actuarial accrued liability over a period not exceeding 30 years. Chapter 466 of 2004 established the Post-Retirement Health Benefits Trust Fund to assist the State in financing the retiree health insurance subsidy paid by the State.

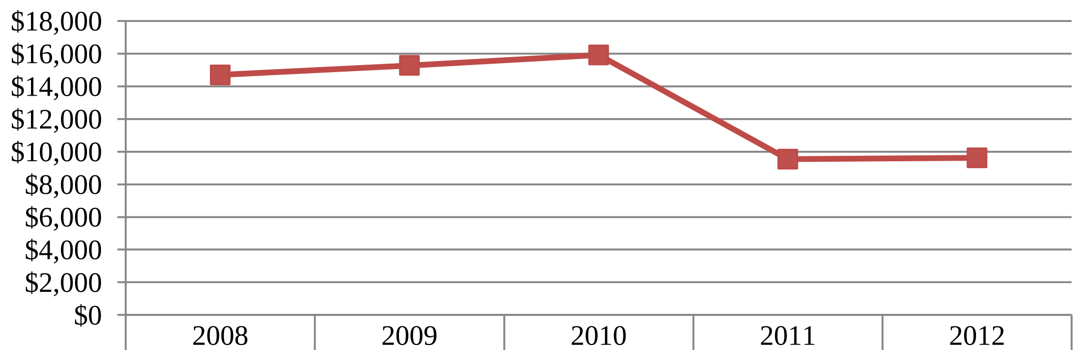
Even After Retiree Health Care Reform, State Still Has a Substantial Unfunded Liability

Exhibit 13 shows that the fiscal 2012 unfunded actuarial accrued liability was $9.7 billion. This is less than the amount at the time the liability peaked at $15.9 million in fiscal 2010. The reduction in the unfunded liability is almost exclusively attributable to actions taken by the General Assembly in the BRFA of 2011 to reduce the State's liability. Specific actions taken include:

- discontinuing prescription drug coverage for Medicare-eligible retirees in fiscal 2020; and

- altering eligibility requirements for employees hired after July 1, 2011, by increasing service requirements for the State subsidy, such as requiring at least 25 years of service, instead of 16 years of service.

Exhibit 13
Unfunded Accrued Actuarial Liability
Fiscal 2008 to 2012
($ in Millions)



	2008	2009	2010	2011	2012
Unfunded Liability	$14,693	$15,279	$15,915	$9,536	$9,617

Source: State Retirement Agency, Department of Budget and Management

Recent Actions Reduced the Annual Required Contribution

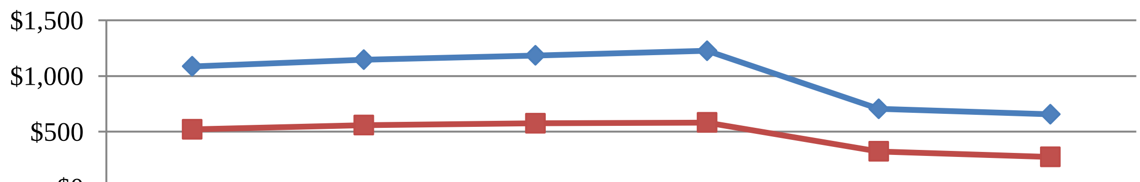
In addition to measuring the unfunded liability, actuaries also estimate appropriate annual contributions. GASB has defined these two concepts as:

- **Normal Cost:** The normal cost is the present value of the benefits earned in that year. If all other assumptions are met, appropriating an amount equal to the normal costs neither increases nor decreases the unfunded liability. This is sometimes called the service cost.

- **Annual Required Contribution (ARC):** This is the amount required to achieve full actuarial funding. It is the normal cost plus the current year's share of any unfunded liability. How the share of the liability is calculated depends on the actuarial system used. If there is no unfunded liability, the normal cost is the same as the ARC. If the fund has surplus funds, the ARC is less than the normal cost.

With respect to the ARC and normal cost of retiree health care, there is some good news in recent years. The normal cost and the ARC have declined substantially since fiscal 2011, as shown in **Exhibit 14**. The decline in fiscal 2012 is attributable to the retiree health care reforms enacted in 2011. The ARC and normal cost also declined in fiscal 2013. Segal, the State's actuary, advises that this is attributable to experience gain, assumptions changes, and plan changes. Experience gain refers to investment performance and contributions. Assumption changes refer to such components as health care costs and healthiness of retirees. The combination of these factors has resulted in the expectation that future costs will be less than previously anticipated. Plan changes refer to the changes to the State's health care plan adopted in the fiscal 2013 budget. The actuary estimates that these changes reduce the ARC by $48 million in fiscal 2013.

Exhibit 14
Annual Required Contribution and Normal Cost
Fiscal 2008-2013
($ in Millions)



	2008	2009	2010	2011	2012	2013
ARC	$1,086	$1,146	$1,185	$1,225	$704	$656
Normal Cost	$521	$559	$575	$583	$323	$274

ARC: Annual Required Contribution

Source: Buck Consultants; Gabriel, Roeder, Smith; Segal

Total Retiree Health Insurance Contributions Are Below the Annual Required Contribution

In spite of the recent reductions in the ARC and normal costs, the State's contribution is still below the ARC. Segal estimates that the State contributed $386 million in fiscal 2012. This includes $271 million in State-budgeted contributions and $83 million in retiree contributions. The remainder is from other governmental agencies participating in the program. This exceeds the normal cost, which is $323 million. However, it is $318 million less than the ARC, which totals $704 million.

According to data provided by DBM, retiree health insurance expenditures totaled $466 million in fiscal 2012. This is $80 million more than the $386 million in contributions. This is, at least in part, due to the implied subsidy that retirees receive. Rates for retirees and current employees are identical. Since retirees tend to receive more benefits, they benefit from being in a group with lower overall health care costs.

DBM should be prepared to brief the committees on the status of the OPEB unfunded actuarially accrued liability. This should include a discussion of plans to reduce this liability and fully fund the ARC.

5. State Plans to Implement an Employee Group Waiver Plan with Medicare Part D Wrap

In 2006, the federal government introduced a federal subsidy for prescription drugs in the Medicare program. This is referred to as Medicare Part D. The State receives subsidies for offering prescription drugs to retirees. DBM manages this benefit through the employee and retiree health insurance plans.

Although there are no changes to benefits in fiscal 2014, there will be a change in how the State manages the retiree prescription drug plan. DBM is planning to manage retiree prescription drug benefits through an Employee Group Waiver Plan (EGWP) with a wrap, effective January 1, 2014. Specifically, the State will be entering into an 800-series EGWP. The federal Affordable Care Act (ACA) reduces State costs and simplifies the EGWP.

The wrap refers to coverage that the State will offer for retirees in which the current retiree drug plan benefits will wrap around the standard Medicare Part D plan benefits. The retiree continues to pay the same copays and does not pay the Part D deductible nor falls into the "donut hole." However, for claims that would be subject to the donut hole if not for the wrap plan, the State benefits from the 50% brand name drug discount provided by the pharmaceutical manufacturers under healthcare reform.

EGWPs are becoming more popular nationwide. They are already offered in states as diverse as Michigan, New Mexico, Pennsylvania, and West Virginia. States adopting plans this year include Delaware, New Hampshire, North Carolina, and Texas.

In an 800-series EGWP, the State contracts with a third-party pharmacy benefits manager (PBM) that manages the prescription drug contract. The State pays the claims and the PBM administers the plan. This switch will be easy because the State already has a contract with a PBM that has experience with EGWPs.

Because the EGWP will be using the same PBM, there will be few changes to the program for retirees. They will still use the same card used before the EGWP. DBM advises that there will be no change in copay amounts. Adopting the EGWP will offer retirees some benefits. This will eliminate family OOP maximums and additional costs for selecting a brand name if generic drugs are available.

One change that needs to be made is to have the health insurance plans coincide with the calendar year instead of the fiscal year. There will be an open enrollment again in April and May 2013, but employees and retirees will be signing up for six months, instead of a year. There will be another open enrollment in October and November, for a full year of service beginning on January 1, 2014. DBM advises that the federal government requires this from EGWPs.

The EGWP does change the relationship between the federal Centers for Medicare and Medicaid Services (CMS) and the State. The key difference is in the amount of federal subsidies that the State receives. Instead of receiving one retiree drug subsidy, the State will receive three smaller subsidies. The State will receive a base Medicare Part D subsidy. There is also a subsidy for the coverage gap or donut hole. Finally, there is a federal reinsurance subsidy that pays for 80% of catastrophic coverage. Added together, these subsidies exceed the one subsidy that the current plan receives.

Exhibit 15 shows that the State expects to reduce prescription drug costs by $25.9 million annually. Savings attributable to federal subsidies, which total $27.4 million, are offset somewhat by reduced rebates and higher administrative fees.

Under the current arrangement, the federal retiree drug subsidy cannot be deducted from the State's OPEB liability. However, savings related to the EGWP can be deducted from the liability. Consequently, these savings also reduce the OPEB liability and the ARC. At this point, DBM has not estimated the reduction to the OPEB liability.

Moving forward, DBM should implement this change with as little difficulty as possible. One issue will be notifying retirees about the program and educating them about what it means for them. DBM recognizes that changes in benefit programs can raise concerns for those receiving the benefits. DBM advises that implementation includes not just printed notification but also webinars, town hall meetings, and presentations.

The department should be prepared to brief the committees on the Employee Group Waiver Plan and wrap. This should include a discussion of other post employment benefit savings.

Exhibit 15
Comparison of Current Plan and EGWP Cost and Savings Differences
($ in Millions)

	Current Plan	EGWP+Wrap	Difference
Retiree Drug Subsidy	$32.6	$0.0	-$32.6
Part D Base Coverage	0.0	18.7	18.7
Coverage Gap Discount	0.0	27.0	27.0
Federal Reinsurance Subsidy	0.0	14.3	14.3
Total Federal Subsidies	**$32.6**	**$60.0**	**$27.4**
Rebates	$8.7	$8.6	-$0.1
Administrative Fee	$2.2	$3.7	$1.5
Subsidies and Rebates Less Administrative Fee	**$39.1**	**$65.0**	**$25.9**

EGWP: Employee Group Waiver Plan

Source: Department of Budget and Management

6. Contractual Employees and the Federal Affordable Care Act

The federal ACA requires that employees working 30 hours a week or more must receive health insurance benefits. This applies to employers that have at least 50 employees. The provision is effective on January 1, 2014.

If an employer does not provide health insurance benefits, the employer may be subject to an assessment. Assessments may be applied if an employer:

- chooses not to offer coverage;
- offers coverage in which the health plan's share of total allowed cost of benefits provided under the plan is less than 60.0% of the costs; or
- offers coverage in which an employee's share of the premium exceeds 9.5% of the employee's household income.

Generally, penalties assessed for not providing adequate health insurance benefits are $3,000 per employee. The assessment may not exceed $2,000 times the number of full-time employees beyond the first 30 full-time employees.

As shown in Exhibit 8 earlier in the analysis, the State has about 9,800 FTE contractual employees. Insofar as Maryland has a substantial number of contractual employees, the State may be required to subsidize employee-only level of health insurance benefits or be assessed a penalty.

At this point, it is unclear exactly how many employees would be required to receive health insurance. Many of the FTEs are filled with more than one employee working less than 30 hours per week. Other FTEs are seasonal help and do not work all year. The data that is available does not identify if FTEs are part-time, seasonal, or full-time employees, so it is impossible to reliably estimate the cost of providing health insurance benefits for contractual employees working over 30 hours per week.

Though a reliable estimate is impossible, an upper limit of costs can be estimated. According to data provided by DBM, the average State employee health insurance subsidy is approximately $9,000. Assuming that all the FTEs receive health insurance, results in an appropriation of $88 million. If we assume that 60% of the funds are general funds, the general fund exposure is $53 million. Should the State choose to pay the assessment, the cost could be as much as $20 million, of which $14 million would be general funds.

DBM should brief the committees on provisions of the federal ACA that relate to providing health insurance benefits for contractual employees. This should include the number of qualifying employees, potential costs associated with providing insurance or being assessed a penalty, safe harbor provisions, and how the State is likely to address this issue.

Recommended Actions

		Amount Reduction	
1.	Delete unassigned funds. These funds budgeted for reclassifications are not assigned to any specific planned reclassification. It is recommended that the funds be deleted.	$ 80,000	GF

2. Add the following section:

SECTION 19. AND BE IT FURTHER ENACTED, that for fiscal year 2014 funding for health insurance shall be reduced by ~~$7,417,352 in Executive Branch agencies~~ $7,912,396 to reflect health insurance savings from favorable cost trends. Funding for the purpose shall be reduced in Comptroller Object 0154 – Retiree Health Insurance, ~~within Executive Branch Agencies~~ in fiscal year 2014 by the following amounts in accordance with a schedule determined by the Governor:

B75	General Assembly	94,294
C00	Judiciary	400,750
C80	Office of the Public Defender	114,751
C81	Office of the Attorney General	18,202
C82	State Prosecutor	1,060
C85	MD Tax Court	868
D05	Board of Public Works (BPW)	1,084
D10	Executive Department – Governor	10,873
D11	Office of Deaf and Hard of Hearing	294
D12	Department of Disabilities	1,984
D15	Boards and Commissions	9,221
D16	Secretary of State	2,969
D17	Historic St. Mary's City Commission	3,167
D18	Governor's Office for Children	2,383
D25	BPW Interagency Committee for School Construction	2,499
D26	Department of Aging	2,413
D27	Maryland Commission on Civil Rights	3,874
D38	State Board of Elections	3,944
D39	Maryland State Board of Contract Appeals	782
D40	Department of Planning	16,179
D50	Military Department	16,437
D55	Department of Veterans Affairs	5,663
D60	Maryland State Archives	2,934
E00	Comptroller of Maryland	102,261

E20	State Treasurer's Office	3,707
E50	Department of Assessments and Taxation	37,593
E75	State Lottery and Gaming Control Agency	12,826
E80	Property Tax Assessment Appeals Board	1,271
F10	Department of Budget and Management	17,221
F50	Department of Information Technology	10,826
H00	Department of General Services	49,970
K00	Department of Natural Resources	62,422
L00	Department of Agriculture	34,136
M00	Department of Health and Mental Hygiene	655,764
N00	Department of Human Resources	315,000
P00	Department of Labor, Licensing, and Regulation	32,854
Q00	Department of Public Safety and Correctional Services	1,437,852
R00	State Department of Education	52,067
R15	Maryland Public Broadcasting Commission	9,791
R62	Maryland Higher Education Commission	4,768
R75	Support for State Operated Institutions of Higher Education	1,319,457
R99	Maryland School for the Deaf	34,072
T00	Department of Business and Economic Development	21,140
U00	Department of the Environment	31,026
V00	Department of Juvenile Services	261,389
W00	Department of State Police	271,276
Total General Funds		~~5,000,000~~ 5,495,044

Explanation: Amends Section 19 to include the General Assembly and Judiciary in across-the-board reductions related to the retiree health insurance plan.

3. Add the following section:

Section __ The "Rule of 50"

SECTION . AND BE IT FURTHER ENACTED, That the Board of Public Works (BPW), in exercising its authority to create additional positions pursuant to Section 7-236 of the State Finance and Procurement Article, may authorize during the fiscal year no more than 50 positions in excess of the total number of authorized State positions on July 1, 2013, as determined by the Secretary of Budget and Management. Provided, however, that if the imposition of this ceiling causes undue hardship in any department, agency, board, or commission, additional positions may be created for that affected unit to the extent that positions authorized by the General Assembly for the fiscal year are abolished in that unit or in other units of State government. It is further provided that the limit of 50 does not apply to any position that may be created in conformance with specific manpower statutes that may be enacted by the State or federal government nor to any positions created to implement block grant actions or to implement a program reflecting fundamental changes in federal/State relationships. Notwithstanding anything contained in this section, BPW may authorize additional positions to meet public emergencies resulting from an act of God and violent acts of men, that are necessary to protect the health and safety of the people of Maryland.

BPW may authorize the creation of additional positions within the Executive Branch provided that 1.25 full-time equivalent contractual positions are abolished for each regular position authorized and that there be no increase in agency funds in the current budget and the next two subsequent budgets as the result of this action. It is the intent of the General Assembly that priority is given to converting individuals that have been in contractual positions for at least two years. Any position created by this method shall not be counted within the limitation of 50 under this section.

The numerical limitation on the creation of positions by BPW established in this section shall not apply to positions entirely supported by funds from federal or other non-State sources so long as both the appointing authority for the position and the Secretary of Budget and Management certify for each position created under this exception that:

(1) funds are available from non-State sources for each position established under this exception;

(2) the position's classification is not one for which another position was abolished through the Voluntary Separation Program; and

(3) any positions created will be abolished in the event that non-State funds are no longer available.

The Secretary of Budget and Management shall certify and report to the General Assembly by June 30, 2014, the status of positions created with non-State funding sources during fiscal 2010, 2011, 2012, 2013, and 2014 under this provision as remaining authorized or abolished due to the discontinuation of funds.

Explanation: This annual language, the "Rule of 50," limits the number of positions that may be added after the beginning of the fiscal year to 50 and provides for exceptions to the limit.

Information Request	**Author**	**Due Date**
Certification of the status of positions created with non-State funding sources during fiscal 2010, 2011, 2012, 2013, and 2014	Department of Budget and Management	June 30, 2014

4. Add the following section:

Section __ Annual Report on Authorized Positions

SECTION . AND BE IT FURTHER ENACTED, That immediately following the close of fiscal 2013, the Secretary of Budget and Management shall determine the total number of full-time equivalent (FTE) positions that are authorized as of the last day of fiscal 2013 and on the first day of fiscal 2014. Authorized positions shall include all positions authorized by the General Assembly in the personnel detail of the budgets for fiscal 2013 and 2014 including nonbudgetary programs, the Maryland Transportation Authority, the University System of Maryland self-supported activities, and the Maryland Correctional Enterprises.

The Department of Budget and Management shall also prepare during fiscal 2014 a report for the budget committees upon creation of regular FTE positions through Board of Public Works action and upon transfer or abolition of positions. This report shall also be provided as an appendix in the fiscal 2015 Governor's budget books. It shall note, at the program level:

(1) where regular FTE positions have been abolished;

(2) where regular FTE positions have been created;

(3) from where and to where regular FTE positions have been transferred; and

(4) where any other adjustments have been made.

Provision of contractual FTE position information in the same fashion as reported in the appendices of the fiscal 2015 Governor's budget books shall also be provided.

Explanation: This is annual language providing reporting requirements for regular and contractual State positions.

Information Request	**Author**	**Due Date**
Total number of FTEs on June 30 and July 1, 2013	Department of Budget and Management	July 14, 2013
Report on the creation, transfer, or abolition of regular positions	Department of Budget and Management	As needed

5. Add the following section:

Section __ Annual Executive Pay Plan Report

SECTION . AND BE IT FURTHER ENACTED, That the Department of Budget and Management and the Maryland Department of Transportation are required to submit to the Department of Legislative Services (DLS) Office of Policy Analysis:

(1) a report in Excel format listing the grade, salary, title, and incumbent of each position in the Executive Pay Plan (EPP) as of July 1, 2013, October 1, 2013, January 1, 2014, and April 1, 2014; and

(2) detail on any lump-sum increases given to employees paid on the EPP subsequent to the previous quarterly report.

Flat-rate employees on the EPP shall be included in these reports. Each position in the report shall be assigned a unique identifier that describes the program to which the position is assigned for budget purposes and corresponds to the manner of identification of positions within the budget data provided annually to the DLS Office of Policy Analysis.

Explanation: Legislation adopted during the 2000 session altered the structure of the EPP to give the Governor flexibility to compensate executives at appropriate levels within broad salary bands established for their positions, without reference to a rigid schedule of steps, and through other compensation methods such as a flat rate salary. These reports fulfill a requirement for documentation of any specific recruitment, retention, or other issues that warrant a pay increase.

Information Request	**Author**	**Due Date**
Report of all Executive Pay Plan positions	Department of Budget and Management	July 1, 2013; October 1, 2013; January 1, 2014; and April 1, 2014

6. Add the following section:

Section __ Positions Abolished in the Budget

SECTION . AND BE IT FURTHER ENACTED, That no position identification number assigned to a position abolished in this budget may be reassigned to a job or function different from that to which it was assigned when the budget was submitted to the General Assembly. Incumbents in positions abolished may continue State employment in another position.

Explanation: This language prevents employees from being moved into positions abolished in the budget. It also allows that incumbents in abolished positions may continue State employment in another position.

7. Add the following section:

Section __ Annual Report on Health Insurance Receipts and Spending

SECTION . AND BE IT FURTHER ENACTED, That the Secretary of Budget and Management shall include as an appendix in the fiscal 2015 Governor's budget books an accounting of the fiscal 2013 actual, fiscal 2014 working appropriation, fiscal 2015, and fiscal 2016 estimated revenues and expenditures associated with the employees' and retirees' health plan. This accounting shall include:

(1) any health plan receipts received from State agencies, employees, and retirees, as well as prescription rebates or recoveries, or audit and other miscellaneous recoveries;

(2) any premium, capitated, or claims expenditures paid on behalf of State employees and retirees for any health, mental health, dental, or prescription plan, as well as any administrative costs not covered by these plans; and

(3) any balance remaining and held in reserve for future provider payments.

Explanation: This language provides an accounting of the health plan revenues received and expenditures made on behalf of State employees and retirees.

Information Request	**Author**	**Due Date**
Accounting of the employee and retiree health plan revenues and expenditures	Department of Budget and Management	With submission of Governor's fiscal 2015 budget books

Total General Fund Reductions **$ 80,000**

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
Department of Budget anf Management – Personnel
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2012					
Legislative Appropriation	$50,985	$11,226	$7,361	$7,693	$77,265
Deficiency Appropriation	15,628	0	0	0	15,628
Budget Amendments	-43,960	-8,213	-7,361	96	-59,439
Reversions and Cancellations	-1,449	-3,013	0	-1,201	-5,664
Actual Expenditures	**$21,203**	**$0**	**$0**	**$6,587**	**$27,790**
Fiscal 2013					
Legislative Appropriation	$6,649	$41,880	$5,231	$7,547	$61,306
Budget Amendments	-213	-40,624	-5,067	0	-45,903
Working Appropriation	**$6,436**	**$1,256**	**$164**	**$7,547**	**$15,403**

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

Spending in fiscal 2012 totaled $27.8 million. The legislative appropriation totaled $77.3 million. Statewide expenses also received an additional $15.6 million through deficiency appropriations. One appropriation provided $10.5 million for State workers' compensation claims based on activity through November 2011 and on prior-year claims carried into fiscal 2012. A second appropriation, which totaled $5.1 million, reimbursed the federal government for the federal portion of Injured Workers' Insurance Fund and State Insurance Trust Fund revenues transferred to the general fund in fiscal 2009.

Budget amendments reduced DBM – Personnel spending by $59.4 million, while reversions and cancelations totaled $5.7 million. Specific actions include:

- amendments transferred $38.0 million in general funds, $7.7 million in special funds, and $5.5 million in federal funds from the centrally budgeted statewide account to fund a one-time $750 State employee bonus;

- an amendment transferred $2.9 million in general funds and $1.8 million in federal funds from the centrally budgeted statewide account to fund a COLA for community providers;

- an amendment transferred $2.7 million in general funds and $495,300 in special funds from the centrally budgeted statewide account to fund State Law Enforcement Labor Alliance salary-related bargaining items;

- an amendment transferred $169,000 in general funds to the Department of General Services' real estate office to oversee leasing activities at the Department of Human Resources;

- an amendment transferred $140,000 in general funds to address a funding shortfall in the Department of Housing and Community Development's Rental Housing Program;

- reversions and cancellations related to the $750 bonus total $3.8 million, $823,000 in general funds and $3.0 million in special funds;

- reversions and cancellations related to vacant positions total approximately $848,000, $425,000 in general funds and $423,000 in reimbursable funds;

- another $750,000 in reimbursable funds was cancelled to reflect unspent funds for information technology development subject matter experts and fiscal services; and

- $150,000 in general fund reversions are attributable to unspent death benefits.

Fiscal 2013

Fiscal 2013 budget amendments include:

- transferring $40.6 million in special funds and $5.0 million in federal funds from the statewide program to support a general salary increase for State employees;

- receiving approximately $31,000 in special funds from the statewide program to support a general salary increase for DBM – Personnel employees; and

- transferring approximately $213,000 in general funds, $76,000 in special funds, and $101,000 in federal funds to support the ASR that provides additional funds to adjust salaries at the Maryland Department of Agriculture, the Department of Health and Mental Hygiene, the Department of Public Safety and Correctional Services, and the Department of Labor, Licensing, and Regulation.

General Salary Increases, Increments, and Other Compensation
Fiscal 2003 to 2014

		State Employees						
Year	**Date of Increase**	**General Salary Increase**	**Increments**	**Police, Natural Resources Police, and Park Ranger Salary Increases**	**Maximum Deferred Compensation Match by State**	**Pay-for-Performance Bonuses**	**Annual Salary Review Reclassifications**	**Other**
2003		None	None		$500	None	None	
2004		None	None		None	None	None	
2005	7/1/2004	$752	On time		None	None	Yes[1]	
2006	7/1/2005	1.5%	On time		$400	None	Yes[2]	
2007	7/1/2006	$900, $1,400, or 2%[3]	On time	2% extra, 9% extra for State police (primarily DGS and DHMH officers)	$600	None	Yes[4]	Two steps on standard salary schedule; one step on the physician's salary schedule
2008	7/1/2007	2.0%	On time		$600	None	None	
2009	7/1/2008	2.0%	On time		$600	None	Yes[5]	2-5 day furlough enacted [6]
2010	7/1/2009	None	None		$0	None	None	3-10 day furlough enacted [7]
2011	7/1/2010	None	None		$0	None	None	3-10 day furlough enacted [8]
2012	7/1/2011	None	None	Negotiated increments	$0	$750 bonus[9]	None	Furloughs ended
2013	1/1/2013	2.0%	None		$0	None	Yes[10]	
2014	1/1/2014	3.0%	On 4/1/2014	Negotiated increments	$0	None	Yes[11]	

[1] The following classifications were provided upgrades: public defenders, social services attorneys, assistant general counsels (human relations), assistant State prosecutors, direct service workers in the Department of Juvenile Services, property assessors, lab scientists, administrative law judges, and banking financial examiners.

[2] Provided a one-grade salary adjustment for the Deputy State Fire Marshal classification series.

[3] Fiscal 2007 general salary increases are $900 for employees making less than $45,000 at the end of fiscal 2006, $1,400 for employees making $70,000 or more, and 2% for those remaining.

[4] The fiscal 2007 annual salary review provides reclassifications and other enhancements for correctional officers and correctional support personnel, registered nurses, licensed practical nurses, direct care assistants, forensic scientists, institutional educators, administrative law judges, and teachers aides.

[5] The fiscal 2009 annual salary review provides reclassifications and other enhancements for scientists, investigators, engineers, public defender intake specialist, veteran service, cemetery workers, call center specialists, complex tax auditor, tax consultant, retirement benefits counselor, medical care specialist, dental workers, financial regulation, deputy fire marshal, lead aviation maintenance technician, police communications operators, and civilian helicopter pilots.

[6] State employee salaries were reduced through furlough in fiscal 2009 by Executive Order 01.01.2008.20 in December 2008. The salaries for employees earning $40,000 were reduced by the value of 2 days' salary; those earning between $40,000 and $59,999 were reduced by the value of 4 days' salary; and those earning $60,000 or above were reduced by 5 days' salary. Public safety and positions required to maintain 24/7 facilities were exempted from the action. The result was an average salary reduction of approximately 1.5%.

[7] State employee salaries were reduced through furloughs and salary reductions in fiscal 2010 by Executive Order 01.01.2009.11 in August 2009. All employees are subject to a temporary salary reduction of five salary days, while non-24/7 employees with salaries between $40,000 and $49,999 are furloughed for an additional 3 days, those between $50,000 and $99,999 for an extra 4 days; and those earning over $100,000 are furloughed for an additional 5 days. The result was an average salary reduction of approximately 2.6%

[8] State employee salaries were reduced through furloughs and salary reductions in fiscal 2011 by Executive Order 01.01.2010.11 in May 2010. The structure mirrors the fiscal 2010 program.

[9] The fiscal 2012 budget provided employees with a one-time $750 bonus.

[10] The fiscal 2013 allowance provides upgrades to the following classifications: contribution tax auditors, Maryland correctional enterprise industries representative I, II and regional managers. Two new classes were also created: nutrient management specialist III and forensic behavioral specialists.

[11] The fiscal 2014 allowance provides one grade for the following classifications: emergency medical services' communication officer staff; State Department of Assessments and Taxation assessors; personnel classifications at the Departments of Health and Mental Hygiene, Human Resources, and Public Safety and Correctional Services; and civilian fixed wing pilots, aviation technicians, and inspectors at the State Police. Parole and probation agents at the Department of Public Safety and Correctional Services that are agent 1 receive a one-grade increase, agent II and senior currently at base, step 1 or step 2 are moved up to step 3. Personnel officers in the employee relations function at the Department of Budget and Management are moved into 4-level class series.

Source: Department of Legislative Services; Department of Budget and Management

Appendix 3

Analysis of Vacancies and Turnover Rate
Fiscal 2013 Working Appropriation Compared to February 2013 Vacancies

Department/Service Area	Positions	Turnover Rate	Vacancies to Meet Turnover	Vacancies	Vacancies Above or (Below) Turnover
Health and Human Services					
Health and Mental Hygiene	6,388	5.5%	354	574	220
Human Resources	6,529	6.7%	436	495	59
Juvenile Services	2,109	4.2%	88	199	111
Subtotal	***15,026***	***5.8%***	***876***	***1,268***	***390***
Public Safety					
Public Safety and Correctional Services	11,050	5.2%	571	482	-89
Police and Fire Marshal	2,390	6.5%	156	156	-1
Subtotal	***13,440***	***5.5%***	***740***	***638***	***-89***
Transportation	***8,732***	***3.4%***	***298***	***444***	***145***
Other Executive					
Legal (Excluding Judiciary)	1,492	5.6%	84	119	34
Executive and Administrative Control	1,605	5.2%	83	161	78
Financial and Revenue Administration	2,010	5.7%	114	142	28
Budget and Management and DoIT	438	2.3%	10	50	40
Retirement	205	4.3%	9	16	7
General Services	576	5.9%	34	42	8
Natural Resources	1,294	4.8%	62	109	47
Agriculture	384	4.4%	17	25	8
Labor, Licensing, and Regulation	1,646	4.2%	69	131	62
MSDE and Other Education	1,916	6.6%	126	149	23
Housing and Community Development	316	5.5%	17	33	16
Business and Economic Development	224	4.1%	9	15	6
Environment	929	6.2%	58	65	7
Subtotal	***13,033***	***5.3%***	***691***	***1,055***	***364***
Executive Branch Subtotal	**50,231**	**5.2%**	**2,592**	**3,404**	**810**

DoIT: Department of Information Technology
MSDE: Maryland State Department of Education

Note: Numbers may not sum to total due to rounding.

Source: Department of Budget and Management; Department of Legislative Services

Appendix 4

Description of Position Changes
Fiscal 2013 and 2014 Budgets

Interim Position Creations

- The fiscal 2013 working appropriation includes 240 full-time equivalent positions created by higher education institutions through “flex” personnel autonomy.

- 78 positions were created by the Board of Public Works (BPW), of which:

    - 44 positions were created in the State Lottery and Gaming Control Agency to support expanded gambling operations approved by a referendum in November 2012;

    - 33 positions were created in the Maryland Health Benefit Exchange to support State efforts to offer an health exchange;

    - in the State Labor Relations Board, 1 part-time attorney general was converted to full-time to manage the increased workload resulting from collective bargaining legislation; and

    - 1 position was created in the Maryland Energy Administration to support efforts to improve energy efficiency in State buildings. The position is federally funded and will be abolished after three years, when federal funding ends. The position is also excluded from the “Rule of 100” position limit.

Section 25 Required Abolition of 100 Positions

- The Budget Reconciliation and Financing Act of 2012 requires that the Administration abolish at least 100 positions.

- On January 2, 2013, BPW approved the abolition of 122 positions.

- Agencies with the largest reductions include the Department of Health and Mental Hygiene (DHMH) with 58 position abolitions, Department of Information Technology (DoIT) with 10 position abolitions, Department of Human Resources with 10 abolitions, Military Department with 7 abolitions, and Office of the Public Defender with 7 abolitions.

2013 Session Changes in Positions

- New positions that are excluded from the Spending Affordability Committee's (SAC) position cap:

    - 44 positions in the State Lottery and Gaming Control Agency that were approved by BPW in November 2012;

    - 28 positions are created in the Maryland Health Benefit Exchange to support operating the exchange;

    - 21 positions are created in the State Lottery and Gaming Control Agency, including 17 positions to support expanded gambling operations (such a 24/7 facilities and gaming) and 4 contractual conversions;

    - 11 positions at the Department of Housing and Community Development to convert special fund contractual positions into permanent positions. The positions are professional positions that perform financial, accounting, underwriting, information technology, construction management, and other functions;

    - 9 positions support a new Medicaid fraud unit in the Office of the Attorney General to enforce the State False Claims Act. Three-quarters of the funding is federal funds;

    - 8 contractual position conversions in DHMH, including 4 positions supporting the Health Professional Boards and another 4 supporting the Nursing Board. These are special fund positions;

    - 4 contractual archivist positions are converted to permanent positions. The positions are funded with special funds generated by the State Archives; and

    - 3 positions at the Motor Vehicle Administration from converting 2 contractual positions supporting electronic liens and 1 contractual position supporting moped registration to regular positions. These positions are funded with special fund revenues.

- New positions that are not excluded from the SAC position cap:

    - 82 positions are created in the Judiciary. This includes 31 positions that support legislation creating new court judgeships, 37 contractual conversions, and 14 other positions;

    - 20 positions in the Maryland State Department of Education (MSDE) including 15 positions to support the collection of longitudinal data and 5 positions to support educating children in Department of Juvenile Services (DJS) facilities;

- 15 positions at the State Department of Assessments and Taxation to assist assessing State property values;
- 8 positions at the Maryland Department of the Environment (MDE) supporting an initiative to reduce the incidence of lead poisoning required in Chapter 387 of 2012;
- 6 positions at DHMH's Medicaid program to allow quicker long-term care determinations;
- 4 maintenance positions at the Department of General Services;
- 3 positions at DoIT to provide support for the 700 MHz radio system, IT project management, and fiscal and administrative functions;
- 2 positions to convert contractual positions into regular positions at the Department of Aging;
- 2 positions at the Uninsured Employers' Fund;
- 1 liaison position in the Department of Planning;
- 1 management position at the Department of Natural Resources for the new Harriett Tubman Underground Railroad State Park in Dorchester County; and
- a partial position in DHMH to support the Board of Environmental Sanitarians, which was moved from MDE by legislation.

- Positions abolished include (16 positions):
  - 11 State Police positions were abolished. The positions are not needed because the Westminster's Barrack's resident trooper program is ending;
  - 2 positions in DHMH's Infectious Disease and Environmental Health Services agency due to declining federal funds;
  - 1 Department of Agriculture position in the Nutrient Management Division was abolished because of workload;
  - 1 Maryland Health Insurance Plan position; and
  - 1 part-time position in the Maryland Commission on Civil Rights and Governor's Office.

- Transferred positions include (38 positions):

  - 32 positions are transferred from DJS to MSDE to complete the transfer of juvenile education services from DJS to MSDE; and

  - 6 positions are transferred from the Department of Aging to DHMH's Medicaid program to reflect the transfer of responsibility for the Community First Choice program to Medicaid.

Appendix 5

Authorized Positions

	Executive Branch[1]	All State Agencies
Fiscal 2013 Legislative Appropriation	**50,271.4**	**79,331.3**
Positions Created through BPW or Flex Autonomy	78.4	318.8
Section 25 Position Abolition of 100 Positions	-118.6	-121.6
Fiscal 2014 Abolished Positions	-15.5	-15.5
Fiscal 2014 Positions Created	146.0	228.0
Total Fiscal 2014 Positions	**50,361.7**	**79,741.0**
Positions Excluded by SAC		
Contractual Conversions		26.0
Revenue Generating[2]		74.0
Health Benefit Exchange		28.0
Subtotal		***128.0***
Total SAC Positions		**79,613.0**
SAC Limit		**79,626.0**
Positions Over (Under) SAC		**-13.0**

BPW: Board of Public Works
SAC: Spending Affordability Committee

[1] Excludes higher education institutions.
[2] Includes 44 positions approved by the Board of Public Works in November 2012.

Source: Department of Budget and Management; Department of Legislative Services

Object/Fund Difference Report
Department of Budget and Management - Personnel

Object/Fund	FY 12 Actual	FY 13 Working Appropriation	FY 14 Allowance	FY 13 - FY 14 Amount Change	Percent Change
Positions					
01 Regular	115.50	115.50	115.50	0.00	0%
02 Contractual	1.40	1.50	1.50	0.00	0%
Total Positions	**116.90**	**117.00**	**117.00**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 22,426,231	$ 11,092,078	$ 111,705,836	$ 100,613,758	907.1%
02 Technical and Spec. Fees	65,989	50,709	53,981	3,272	6.5%
03 Communication	267,564	260,278	266,550	6,272	2.4%
04 Travel	20,223	19,100	18,900	-200	-1.0%
08 Contractual Services	2,969,160	3,775,173	3,177,943	-597,230	-15.8%
09 Supplies and Materials	30,385	37,000	35,000	-2,000	-5.4%
10 Equipment – Replacement	27,241	1,000	2,600	1,600	160.0%
13 Fixed Charges	1,983,566	167,768	169,935	2,167	1.3%
Total Objects	**$ 27,790,359**	**$ 15,403,106**	**$ 115,430,745**	**$ 100,027,639**	**649.4%**
Funds					
01 General Fund	$ 21,203,458	$ 6,436,311	$ 80,730,565	$ 74,294,254	1154.3%
03 Special Fund	0	1,255,711	17,562,175	16,306,464	1298.6%
05 Federal Fund	0	164,276	10,025,928	9,861,652	6003.1%
09 Reimbursable Fund	6,586,901	7,546,808	7,112,077	-434,731	-5.8%
Total Funds	**$ 27,790,359**	**$ 15,403,106**	**$ 115,430,745**	**$ 100,027,639**	**649.4%**

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

Fiscal Summary
Department of Budget and Management - Personnel

Program/Unit	FY 12 Actual	FY 13 Wrk Approp	FY 14 Allowance	Change	FY 13 - FY 14 % Change
01 Executive Direction	$ 1,714,077	$ 1,849,632	$ 1,908,510	$ 58,878	3.2%
02 Division of Employee Benefits	6,292,609	7,295,578	6,785,614	-509,964	-7.0%
04 Division of Employee Relations	854,669	856,755	1,045,690	188,935	22.1%
06 Division of Classification and Salary	1,814,617	2,036,642	2,135,997	99,355	4.9%
07 Division of Recruitment and Examination	1,436,819	1,585,543	1,754,797	169,254	10.7%
08 Statewide Expenses	15,677,568	1,778,956	101,800,137	100,021,181	5622.5%
Total Expenditures	**$ 27,790,359**	**$ 15,403,106**	**$ 115,430,745**	**$ 100,027,639**	**649.4%**
General Fund	$ 21,203,458	$ 6,436,311	$ 80,730,565	$ 74,294,254	1154.3%
Special Fund	0	1,255,711	17,562,175	16,306,464	1298.6%
Federal Fund	0	164,276	10,025,928	9,861,652	6003.1%
Total Appropriations	**$ 21,203,458**	**$ 7,856,298**	**$ 108,318,668**	**$ 100,462,370**	**1278.7%**
Reimbursable Fund	$ 6,586,901	$ 7,546,808	$ 7,112,077	-$ 434,731	-5.8%
Total Funds	**$ 27,790,359**	**$ 15,403,106**	**$ 115,430,745**	**$ 100,027,639**	**649.4%**

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.